

ZAKAT COMPLIANCE INTENTION BEHAVIOR ON SAVING AMONG UNIVERSITI UTARA MALAYSIA'S STAFF

Zainol Bidin

Faculty of Accountancy
Universiti Utara Malaysia
b.zainol@uum.edu.my

Mohd Zainudin Othman

Faculty of Business Administration
Universiti Utara Malaysia
zainudin@uum.edu.my

Farah Mastura Noor Azman

s804534@student.uum.edu.my

ABSTRACT

Previous research has shown that there is still low compliance reported in the payment of zakat. However, most of the researchers only focused on the payment of zakat on employment income. An increasing number of people are reported to save their money in saving, fixed deposit and current saving accounts. The collection of zakat on saving is the third highest collection reported by Jabatan Zakat Negeri Kedah after zakat on employment income and zakat on trade. As such, this study is motivated to investigate zakat compliance intention on saving among employees of Universiti Utara Malaysia by using theory of planned behavior. A total of 86 questionnaires were returned and used to measure the three independent variables which are attitude, subjective norms, and perceived behavioral control towards the intention to comply with zakat on saving. Based on the results obtained, perceived behavioral control was found to significantly influence intention to comply with zakat on saving, but attitude and subjective norms have no significant influence at all. Generally, theory of planned behavior can be used to explain zakat compliance intention behavior on saving. The findings of the present study can be used for the institution of zakat and policy makers to promote and educate the general public as to the importance of zakat on employment income. The implication of the findings to future research and the limitations of the present study are also highlighted.

Field of Research: *Attitude, Subjective Norm, Perceived Behavior Control, Intention, Zakat.*

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1. Introduction

Islam is a religion revealed by Allah S.W. T. for humankind through the Prophet Adam A.S. until the Prophet Muhammad S.A.W. During the period of Prophet Muhammad S.A.W, Allah has decreed the five pillars of Islam. It is an obligation for every Muslim to obey and practice these duties. They are testimony of faith, prayer, almsgiving (zakat), fasting, and pilgrimage to Mecca. Muslim jurists unanimously agree that zakat is compulsory for Muslims whether it is zakat on individual (zakat fitrah) or zakat on business, crops and agricultures, gold and silver, or natural resources. The importance of zakat is consistently mentioned in the Quran after the word of prayer (solat). For instance, Allah says:

“And they have been commanded no more than this: to worship God, offering Him sincere devotion, being true (in faith); to establish regular prayer, and to practice regular charity; and that the religion right and straight” (Surah al-Bayyinah: 5).

The verse above clearly indicates us that to every Muslim is obliged to perform prayers as well as to pay zakat. While prayer benefits directly the individual who fulfils it, paying zakat will directly benefit the nation especially those who are in need. Subsequently this can improve the economic growth in the country. Literally, zakat means purification. Technically, “it means the amount of money or kind taken from specific types of wealth when they reach a specific amount at a specific time which must be spent on specific categories in specific ways” (Nur Barizah, 2008). Zakat on individual (zakat fitrah) is compulsory for all Muslims in the month of Ramadhan but zakat on wealth is only imposed on individuals when the “nisab” and haul requirement have been fulfilled. Zakat on wealth could be categorized as business, crops and agricultures, gold and silver, and natural resources. Contemporary Muslim jurists agree that zakat also should be imposed on savings account, bonds, Employees Provident Fund (EPF), and its equivalent as long as the requirements have been fulfilled.

The law of zakat in every state is based on the enactment of the state except in Kedah and Sabah. In Kedah, the administration of Jabatan Zakat Negeri Kedah is under the Head of Muslim religion which is Sultan Abdul Halim Mu“adzam Shah. According to Jawatankuasa Fatwa Negeri Kedah (1985), the calculation of zakat on saving is based on the last amount of balance in the account. Thus, the calculation of saving in this state is different because in other states it is based on the lowest amount reported during the year.

Example of zakat calculation in Kedah:

DATE	CREDIT (RM)	DEBIT (RM)	BALANCE (RM)
01/02/2009		16000	16000
28/03/2009	2000		14000
04/5/02009	2000		12000
10/08/2009		320 Interest)	12320
31/08/2009		1680	14000
26/11/2009	1000		13000
31/01/2010		2000	15000

Note:

- 1) The last balance has exceeded the “nisab” (RM 10670)
- 2) Year end is 1/02/2009-31/01/2010

The amount of zakat that should be paid is $RM\ 15\ 000 \times 2.5\% = RM\ 375$. However, in other states the amount of zakat that should be paid is on the lowest balance in the account which is $RM\ 12000 \times 2.5\% = RM\ 300$. The calculation of zakat on fixed deposit and current saving account is the same as shown in the example. On the other hand, if the person has more than one saving account, zakat should be calculated after adding together the last amount of balance in every account regardless whether or not one of the accounts has not exceeded the ‘nisab’.

Zakat institutions have introduced various ways to help zakat payers to fulfill their obligations to Allah such as internet banking, schedule for zakat deduction, moveable counter, post office, by bank draft, and so on. Zakat collection on employment income by Jabatan Zakat Negeri Kedah in three subsequent years of 2007, 2008 and 2009 are RM17,972,933.98, RM25,998,062.40 and RM39,045,103.58 respectively. Besides that, zakat on trade is also reported to be increasing amounting to RM11,276,500.60 (year 2007), RM16,170, 728.20 (year 2008) and RM14,176,138.09 (year 2009). Zakat on saving is also reported to be on the rise as follows: RM 3,280,146.68 in 2007, RM 3,981,847.29 in 2008 and RM 4,907,136.81 in 2009 (Jabatan Zakat Negeri Kedah, 2010). Zakat on saving is the third highest collection reported by Jabatan Zakat Negeri Kedah. The figure shows that it plays an important role in helping the country reduce the disparity of income among the rich and the poor, and reduce the poverty reported in the country. According to Mohd Rais (2008), 2.5% of zakat, will be invested in production, adding into the society wealth and jobs and alleviating the poverty faced by the country.

Although there is an increase in the collection of zakat on saving, previous studies found that, there is still low compliance among Muslims in Malaysia in paying the zakah (Kamil, 2002; Mohd Ali, Hairunnizam & Nor Ghani, 2004). Kamil (2002) found that only 35% out of 353 respondents pay the zakat on employment income among employees of federal agencies in Kedah. In Perlis only 35% made the zakat payment (Kamil, Chek Derashid & Engku Ismail, 1997). These empirical evidences shows the existing gap between the estimated collection of zakat institutions and the

actual level of compliance behavior in Malaysia. Therefore, further studies should be done especially in the context of zakat on saving because most of the research only focused on zakat on employment income (e.g. Kamil, 2002; Zainol, Kamil & Faridahwati, 2009; Nur Barizah & Hafiz Majdi, 2010). It is hoped that the present study can help the country increase the collection of zakat on saving in the future.

2. Literature Review

2.1 Previous studies on zakat compliance

Several studies have been conducted on zakat compliance in Malaysia. For instance, Zainol and Kamil (2009) used theory of planned behavior to investigate zakat compliance on employment income. In a different study, Zainol et al. (2009) used theory of reasoned action to predict compliance intention on zakat on employment income. Recently, researchers have built a compliance and avoidance model to examine zakat compliance behavior by combining economics, sociology, and psychology theories (Sanep & Zulkifli, 2010). Researchers are trying to find the best theory to examine compliance behavior of zakat payers to persuade zakat payers to pay zakat.

Zakat compliance becomes a crucial issue because of the low compliance behavior among the Muslims. Mohd Ali et al. (2004) found that approximately only 4.2% of Muslims fulfilled their obligations to pay zakat in Wilayah Persekutuan. Moreover, Kamil (2002) and Kamil et al. (1997) also obtained the same result in the northern region. Kedah and Perlis were reported to have only 35% of the Muslims in each state pay zakat on employment income. Although there is an increase in the collection of zakat every year, previous studies have shown that the complying to pay zakat is still low. Most of the previous studies only focused on zakat on employment incomes but few have considered zakat on saving. Therefore, this presents study was carried out to investigate compliance behavior on zakat on saving by using theory of planned behavior.

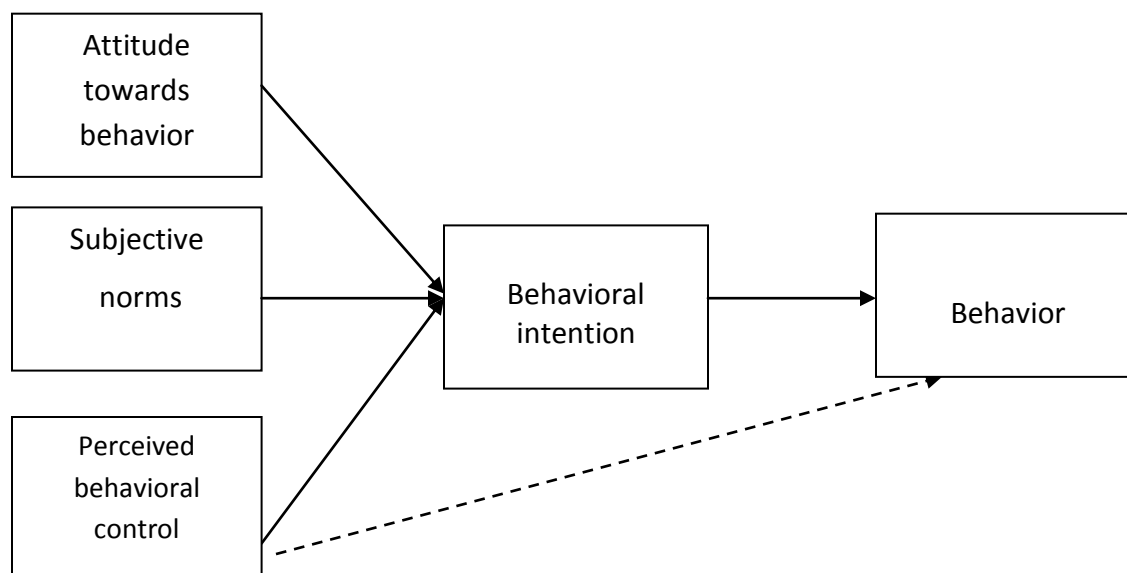
2.2 Theory of planned behavior

Theory of planned behavior was developed to extend theory of reasoned action (Ajzen, 1991; Ajzen & Fishbein, 1980). Researchers found that the little theory was insufficient and had several limitations (Godin & Kok, 1996). The limitation identified in this theory is with regard to when people face difficulties and have little power or no control in performing the behavior. Because of this, Ajzen developed theory of planned behavior to include another variable in the original theory which is perceived behavioral control. As highlighted in the theory of reasoned action, the key point of theory of planned behavior is intention. Intention acts as a motivational factor in influencing peoples' behavior. It expresses how people are eager to do something and how much effort they put into executing the behavior (Ajzen, 1991). Thus, attitudes and subjective norm in the theory of reasoned action will affect individual's intention to perform

the behavior. However, this theory only can work if the behavior is under volitional control, required opportunities and resources are available such as money, time, skills, and education. Hence the elements of perceived behavioral control in the theory of planned behavior complements the original theory. Therefore, there are three independent variables in this theory which are attitudes, subjective norms, and perceived behavioral control.

Theory of planned behavior is an intention-based model that has been proven to justify intention of an individual's specific behavior (Ajzen, 1991; Ajzen & Driver, 1992). This theory has been used in various studies. Ajzen and Driver (1992) applied this theory to predict students' intention on leisure choice. They found a positive relationship between the three variables and the intention to engage in the leisure activities in the study such as spending time at the beach, jogging or running, mountain climbing, boating, and biking. Tonglet, Phillips, and Read (2004) used this theory to investigate the determinants of recycling behavior by using 258 household as a sample in a local area of Brixworth, United Kingdom. They found that pro-recycling attitudes, subjective norms, and perceived behavioral control have significant relationship towards recycling behavior. Because of the applicability of this theory in explaining social behavior in a wide range of studies, it is possible to use this theory to explore zakat compliance behavior. Intention is based on the individuals will to perform the desired behavior and it acts as an antecedent. Individual behavior can be predicted if we know the factors that influence the intention (Hanno & Violette, 1996). Because of this, intention towards zakat compliance can be tested by using theory of planned behavior. Figure 1 demonstrates three independent variables that work through intention namely attitudes towards behavior, subjective norm and perceived behavioral control. As a rule of thumb, the stronger the intention to perform the desired behavior, the higher the possibility that the person will execute the behavior because this theory was applied by Zainol (2008) to examine zakat compliance on employment income. It was used in the present study to investigate zakat compliance on saving.

Figure 1. Illustration of Ajzen's theory of planned behavior (Ajzen, 1991)



In the context of zakat, the relationship between attitudes, subjective norms, perceived behavioral control and intention have been found to positively relate to zakat compliance behavior (Ram, Zainol, Kamil, & Md Hairi, 2010; Zainol, 2008, Zainol & Kamil, 2008; Zainol, Kamil & Faridahwati, 2009). Thus, the following hypothesis is formulated.

H1: Attitude is positively related to zakat compliance intention on saving

H2: Subjective norm is positively related to zakat compliance intention on saving

H3: Perceived behavioral control is positively related to zakat compliance intention on saving

3. Methodology

The population in this study is Muslim employees in Universiti Utara Malaysia (UUM). The total population is 2898 employees, in which 1291 are academics and 1607 are non-academic employees (Registrar Department, 2010). Unit of analysis in this present study is individual Muslim employee in UUM. In general, UUM respondents were chosen because UUM pays their salary every month and they might save some. Therefore, they are responsible to pay zakat if the haul and 'nisab' are fulfilled. Besides that, the respondents involved in this study are paying income tax through scheduled tax deduction scheme (STD). So, it is believed that those who are paying tax are also able to pay zakat. List of employee names was obtained from the Registrar Department, and used as a sampling frame. According to Hair, Anderson, Tatham and Black (1998), the appropriate sample size for generalization purposes is 15 to 20 for each variable. Therefore, the data should comprise at least 80 respondents (20 respondents x 4 variable). Based on this rule of thumb, 200 respondents were chosen. Employees were randomly selected among the academic and administration staff from the three colleges (College of Business, College of Law and Government and International Studies, and College of Art and Science) which are consist of 13 faculties and other administration departments.

Self-administered questionnaire was used as the data collection technique was constructed based on the study conducted by Autio, Keeley, Klosthen, Parker and Hay (2001), and Zainol (2008). Attitude towards zakat on saving is defined as the degree of which an individual has favorable or unfavorable evaluations on zakat on saving. It was tested as an independent variable in this study. Four questions were asked, on a five-point Likert scale ranging from „1“ “strongly disagree” to „5“ “strongly agree”. An example of the item is “I know how to pay zakat on saving”. Subjective norm refers to person’s view of the social pressures exerted by parents, friends, spouse or colleagues in paying zakat on saving. This is another independent variable in this study. The respondents were asked to indicate whether they agree or disagree on the questions, on a five-point Likert scale. An example of the questions that was put forward is “My religious teacher thinks that I should pay zakat on saving”. Perceived behavioral control is based on the degree of easiness and difficulties in complying with zakat on saving. This is the last independent variable in this study. An example of the questions is “I have resources to pay zakat on saving”. A five- point Likert scale was used to measure the variable. Intention to pay zakat on saving is the dependent variable in this study. As mentioned by Ajzen (1991) intention should be stated based on action, target, context and time. Therefore, this study examined

zakat compliance behavior as an action by individual Muslim (target) on zakat on saving (context) for a particular year (time). The respondents were asked four questions. They indicated their level of agreement or disagreement on a five-point Likert scale. An example of the questions is "I will pay zakat on saving this year".

4. Findings

Two hundred questionnaires were distributed to the academic and non-academic staffs. A total of 100 were returned the questionnaires. However, 14 of them were discarded. The remaining balance of 86 questionnaire were used for further analysis. Descriptive analysis was performed to develop the respondents' profile. The respondents consist of 54.7% male and 45.3% female. Most of them were non-academic staff (72.1%) and in the range of 31-40 years old (51.2%). Generally, they had a bachelor qualification (53.5%) and earned monthly income around RM 2000-RM 3000 (38.4%). A majority of the respondent (67.4%) did not have a saving of RM10 000 a year. It means that they do not fulfill the requirement of paying zakat on saving. Out of 86 respondents, 62 respondents had previously paid zakat on saving.

The reliability test for all variables was performed. Reliability is measured by using Cronbach alpha (Churchill, 1979). The result is good if the value lies between 0.80 and above; is accepted if it is within the range of 0.70; is poor if it lies below than 0.60. In this study, Alpha values of 0.877, 0.781, 0.880, and 0.705 for the variables attitude (5 items), subjective norms (4 items), perceived behavioral control (5 items) and intention (5 items), respectively, were obtained. Therefore, the results are acceptable.

In addition, factor analysis was conducted in this study by using principle component (PCA) with varimax rotation on all items. The measurement used in this analysis is Kaiser-Meyer Olkin (KMO) and Barlett Test of Sphericity (BTOS). KMO is applied to investigate sample of adequacy and BTOS to know the suitability of factor analysis (Hair et al., 1998). KMO for all variable lies between 0.674 and 0.769, therefore factor analysis is suitable to be conducted (refer table 1). Besides that, BTOS is applied to test correlation matrix and it can ensure whether the factors model can be used or not based on the result. The results in the present study are significant which is less than 0.05. Every significant variable was precisely looked at the factor loading of each item in the variable. The results show that all the factor loadings are in the range of 0.628 and 0.895.

Table 1: Results of Factor Analysis

Construct	Number of items	Number of factor	KMO
Attitude	5	1	0.757
Subjective norms	4	1	0.758
Perceived behavioral control	5	1	0.769
Intention	5	1	0.674

Multiple regression analysis shows 41% of the variance in zakat compliance intention on saving was explained by the constructs of attitude, subjective norms, and perceived behavioral control. This value indicates that another 59% can be explained by the other variables. The results also show no significant relationship between attitude and intention to comply with zakat on saving ($t = 1.215$, $p = 0.215$). No relationship between subjective norms and intention to comply with zakat on saving was also found ($t = 0.054$, $p = 0.957$.) Based on the results obtained, H1 and H2 are not supported in this present study. In contrast, perceived behavioral control shows a significant relationship on intention to comply with zakat on saving ($t = 6.023$, $p = 0.000$). So, H3 is accepted in the study. Furthermore, the value of Beta for perceived behavioral control is the highest (0.588) meaning that perceived behavioral control is the most important factor that influences intention to comply with zakat on saving.

5. Discussion and Conclusion

The present study attempted to examine the factors that influence zakat compliance behaviors on saving among Universiti Utara Malaysia's staff. In this study, theory of planned behavior was applied because this theory has been used in previous studies on zakat (Ida Husna, 2009; Mohmad Zaki, 2008; Zainol, 2008; Zainol & Kamil, 2009).

The results indicate that the theory of planned behavior is able to explain 41% zakat compliance intention on saving. This study suggests that TPB model is able to explain the factors that influence zakat compliance intention on saving among Universiti Utara Malaysia's staff. Theory of planned behavior consists of three independent variables which are attitude, subjective norms, and perceived behavioral control. In this study, perceived behavioral control was found to be the most important factor that influences zakat on saving. This finding is congruent with previous findings of Zaki (2008), who demonstrated that perceived behavioral control is the most important factors that influence zakat intention. Subjective norms was found to have no significant relationship on intention to comply with zakat on saving. The findings is consistent

with the previous studies on zakat (Ida Husna, 2008; Zaki, 2008). It is also consistent with Tonglet et al., (2004), findings which showed no significant relationship between intention and subjective norms towards recycling behavior in UK. Attitude was also found not to have a significant relationship towards zakat on saving. It contradicts previous studies done by Zaki (2008), Zainol (2008), Zainol and Kamil (2009). Thus, the results indicate that subjective norm and attitudes items in the present study do not influence zakat payers to pay zakat on saving. The results of this study can help policy makers in knowing the stage of zakat compliance behavior towards zakat on saving. They also can find ways to persuade zakat payers to fulfill their duty to pay zakat.

One limitation of this study is the findings may not be generalized to a broader population as most of the respondents were non-academic staff in Universiti Utara Malaysia and only half of the questionnaires were returned. Due to this, it is suggested that future research on zakat compliance on saving considers a wider population that covers all individual Muslims in Malaysia.

In conclusion, attitude and subjective norm showed no significant influence on intention to pay zakat on saving, whereas perceived behavioral control was found to be the most important factor that influences intention. Hence policy makers such as zakat institutions and government should increase the awareness of Muslim society by organizing forum, having an open discussion regarding zakat and advertising zakat among others. In addition, they should impose a punishment like fine to eligible Muslims who do not pay zakat. Lastly, more research should be done in the area of zakat in order to help the policy makers to be more effective and efficient in collecting and distributing the zakat funds.

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